



## **Ninth Annual Comparative Research Study**

# **2012 Discounting Report**

## **Growth in discounting slows as economy improves**

This annual report summarizes the previous fall's outcomes and long-term trends for a sizable sample of private colleges and universities across the United States. The report is based on the annually aggregated freshman data of institutions that are currently partnering with Noel-Levitz to strategically manage more than \$2 billion in institutional gift aid.

Among the highlights:

- The average overall freshman discount rate for fall 2011 rose 0.8 percent compared to fall 2010, from 37.3 percent to 38.1 percent, for the private institutions in this study. This was the smallest increase since the peak of the recession in fall 2008. *See Chart 1 inside.*
- The small increase in discounting resulted in growth in net revenue. From 2000-2011, the private colleges and universities in this annual Noel-Levitz study have seen average, per-student net revenue increase by 49.8 percent. *See Chart 2 inside.*
- Once again, in 2011, discounting was highest among small colleges with tuition levels greater than or equal to \$25,000 and enrollments of less than 850 full-time, first-time students. *See Table 1 inside.*
- Average unfunded gift aid per incoming first-year student was \$12,664 for fall 2011, up from \$12,143 in fall 2010. In addition, an average of 77.7 percent of the institutionally funded merit aid/scholarship awards made by these colleges and universities went directly to meet demonstrated financial need. *See Chart 4 and Table 2 inside.*
- *A related point of interest:* About half of the prospective students that have utilized Noel-Levitz's TrueCost Calculator™ obtained a scholarship estimate but did not supply the necessary information to receive an estimate of all available financial aid from the colleges they were considering. *See Chart 5 inside.*

**How does your institution's discount rate and net revenue compare?** Readers are encouraged to compare their own institutional discounting data to the findings in this report. To learn how the 139 institutions in this study manage their aid awards and keep their discount rates in check, please see page 11.

This annual report summarizes the previous fall's outcomes and long-term trends of a sizable sample of institutions across the U.S.



## The source of data

This report examines the aggregated freshman data of 139 private colleges and universities that currently use Noel-Levitz consulting and statistical resources to guide their strategic award management. Included in this report are the institutions' fall 2011 outcomes (referred to hereafter as simply "2011") as well as their tuition increase figures. The institutions are spread throughout every region of the United States.

For the names of the institutions included in this report, please see the list on page 11. For context, the report also includes comparison data from fall 2000 to fall 2010 from similar sets of institutions that used Noel-Levitz services.

### Definitions

**Overall discount rate:** Unfunded gift aid as a percentage of gross revenue. (See highlighted section below—Noel-Levitz discounting definition.)

**Tuition discount rate (NACUBO):** Funded and unfunded gift aid as a percentage of tuition and fee revenue.

**Unfunded gift aid:** Grants, scholarships, and other gift aid provided from unrestricted accounts. This excludes gift aid supported by endowments or restricted gifts and grants.

**Funded institutional aid:** Institutional scholarship and grant funds from an endowed or restricted fund.

**Gross revenue:** Gross tuition, fees, and room and board for first-time, full-time students.

**Need:** Student budget minus Expected Family Contribution, as defined by the Free Application for Federal Student Aid (FAFSA).

## Noel-Levitz discounting definition

$$\text{Overall discount rate} = \frac{\text{Unfunded gift aid}}{\text{Gross revenue (including room and board)}}$$

When calculating discount rates, studies and campus officials often include tuition and fees but exclude room and board. This is true, for example, of past studies released by NACUBO, the National Association of College and University Business Officers.

However, especially for residential campuses, Noel-Levitz recommends including room and board fees in the denominator. This approach allows institutions to more accurately identify revenue flows tied to enrolling students.

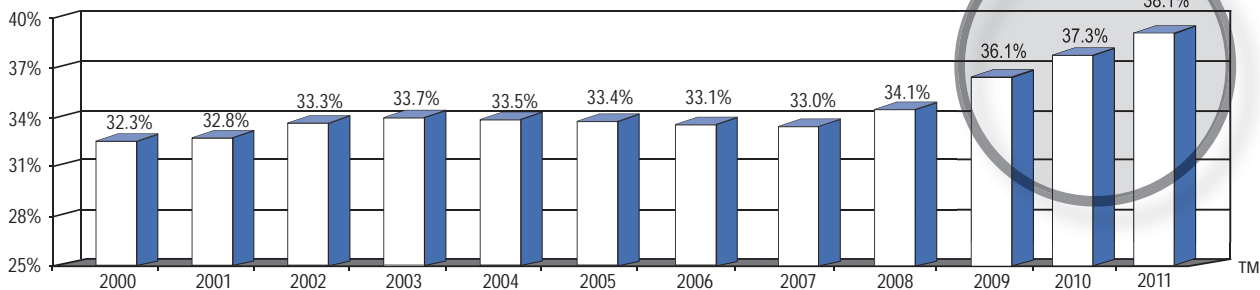
In addition, the Noel-Levitz definition of discounting focuses on unfunded/unrestricted gift aid—sources of aid over which institutions have discretion and control. We believe this definition offers a more accurate view of discounting than including restricted funds (primarily endowed), given that such sources of aid are paid from monies unavailable for other uses.

## Average overall freshman discount rate increased less than one percent in 2011; recent upward trend appears to be slowing as the economy improves

As shown in Chart 1, from 2000-2008, the overall discount rate for institutions that partnered with Noel-Levitz ranged between 32.3 percent and 34.1 percent. Then the recession hit, resulting in a jump of 2 percentage points to 36.1 percent in 2009. Since then, the rate of increase has slowed down to 1.2 points in 2010 (from 36.1 percent to 37.3 percent) and to 0.8 points in 2011 (from 37.3 percent to 38.1 percent).

**Chart 1: Average Overall Freshman Discount Rate, 2000-2011**

(See Noel-Levitz definition page 2)



Following a relatively steady, eight-year period that ended with the onset of the recession in December 2007, the last three years have seen an increase in the discount rate for the institutions in this annual report, but the rate of growth is slowing, as highlighted in the circle above. After jumping 2 percentage points in 2009, the rate of growth slowed to 1.2 points in 2010 and dropped to just 0.8 points in 2011.

Note: The average overall freshman discount rate shown above is based on Noel-Levitz's discounting definition shown at the bottom of page 2. The comparable NACUBO-defined discount rate for 2011 for the institutions in this study was 49.8 percent.

"As the economy has improved, things are slowly getting better for private colleges and universities," said Noel-Levitz President Kevin Crockett. "Over the past two years, the rate of discounting has slowed considerably."

While Noel-Levitz advises colleges on strategies for keeping discount rates down, the firm also recognizes the importance of addressing college affordability in order to meet students' needs and institutional goals for enrollment and net revenue.

"It's important to remember that the larger increases in discounting we saw in 2009 reflected these colleges' commitment to students' and families' ability to enroll," said Mr. Crockett. "Rather than risk lowering their enrollments, the colleges stepped up and provided greater amounts of assistance in order to maintain affordability during the peak of the recession."

Officials at NACUBO concur that greater discounting during the height of the recession was likely warranted: "Survey results do suggest that increasing discount rates may have benefitted some institutions. Undoubtedly, a number of institutions would have experienced declines in student enrollment if they had not increased grant spending," the officials wrote. "Colleges and universities may have faced even greater financial difficulties if they had not reacted to the financial constraints facing students and families by raising institutional grant expenditures."<sup>1</sup>

<sup>1</sup> NACUBO. (2010). 2010 tuition discounting study report, p. 20. Washington, DC: Author. Retrieved from [www.nacubo.org/Research/NACUBO\\_Tuition\\_Discounting\\_Study.html](http://www.nacubo.org/Research/NACUBO_Tuition_Discounting_Study.html).

## Positive growth in net revenue in 2011 continued a long-term trend, but at a slower pace

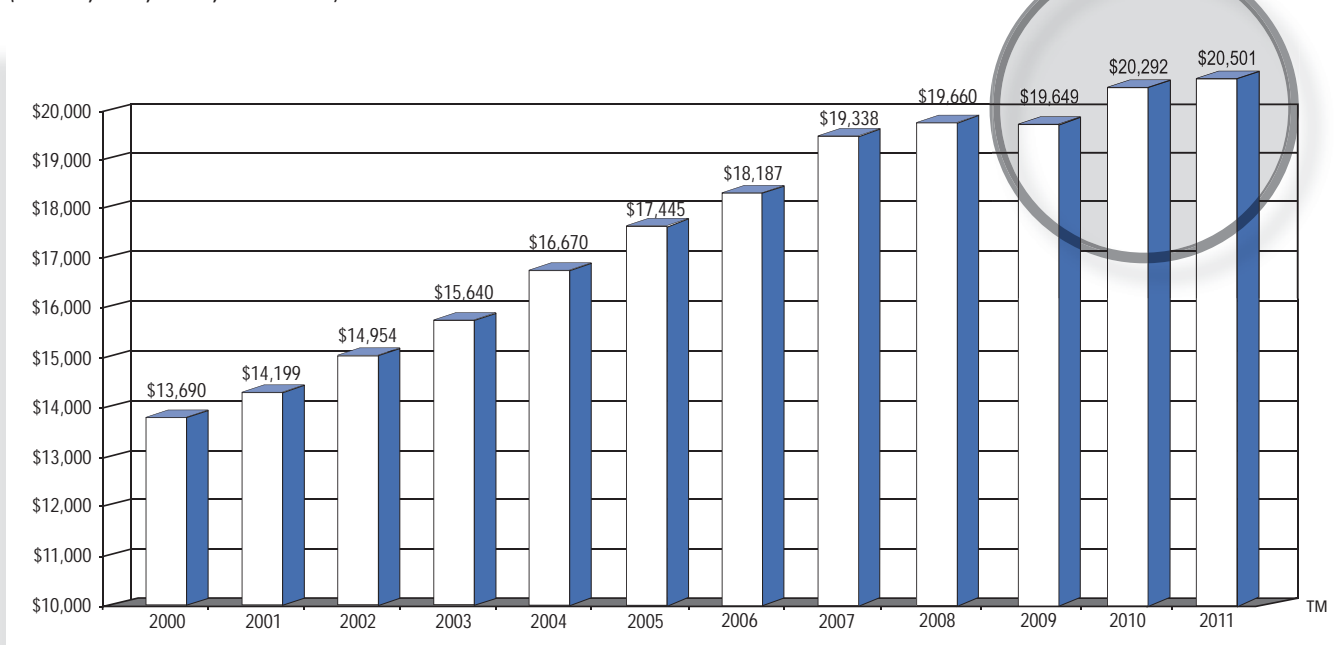
As shown in Chart 2, from 2000-2008, average per-student net revenue from freshmen for institutions that partnered with Noel-Levitz increased an average of 4.6 percent each year. Then in 2009, the final year of the recession, there was a slight dip—a 0 percent change in net revenue. Since then, the upward trend has resumed, with net revenue per student growing an average of 2.2 percent over the past two years.

“After zero growth in 2009, net revenue has begun to grow for our clients but at a slower pace,” said Crockett. “Our long-term view is that this figure will continue to improve, but it may not return to pre-recession levels in the foreseeable future. Until income growth improves, it will be difficult for private colleges to accelerate the growth in average net revenue per freshman student.”

**Steady growth in net revenue and enrollments has afforded campuses using Noel-Levitz support with additional resources to improve the quality of student life and learning during a time of increased cost pressures on higher education.**

**Chart 2: Average Net Revenue Per Freshman, 2000-2011**

*(Tuition, fees, room, and board)*



Following a dip in 2009, average per-student net revenue has slowly been increasing, as shown in the highlighted circle. From 2000 to 2011, average net revenue per first-year student increased 49.8 percent for institutions using Noel-Levitz support.

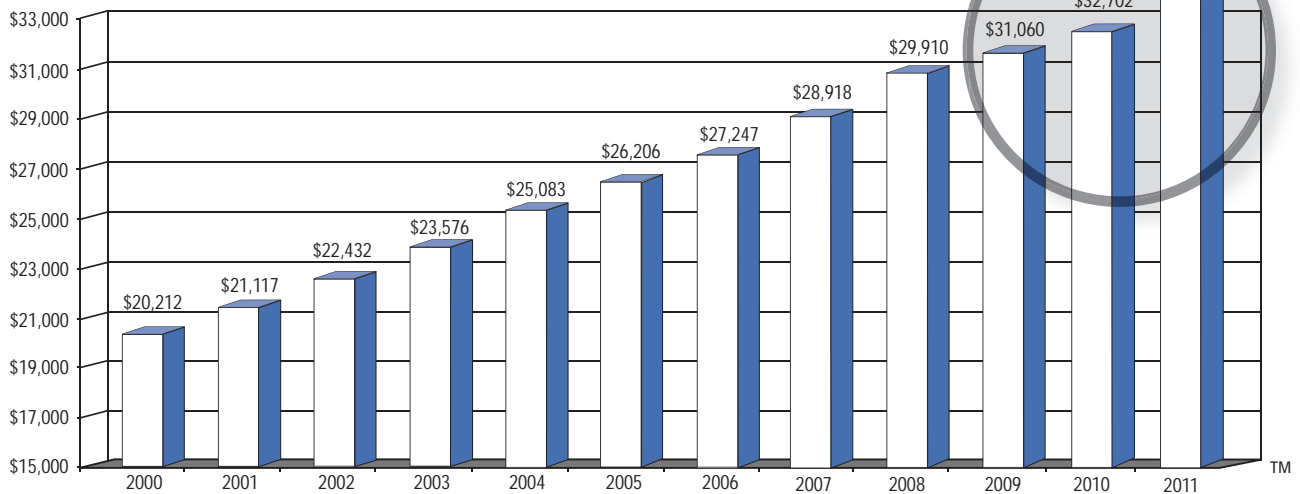
Over the past decade, the steady growth in net revenue shown above has afforded these campuses additional resources to improve the quality of student life and learning during a time of increased cost pressures on higher education. This has proved especially important as the institutions have expanded to meet the growing numbers and needs of new students, requiring greater investments in classroom space, residence halls, and technology.

## Average gross revenue per freshman rose at a slower pace, too

After averaging 5.0 percent growth each year from 2000-2008, growth in gross revenue per freshman climbed an average of 3.8 percent from 2009 to 2011, as shown in Chart 3.

**Chart 3: Average Gross Revenue Per Freshman, 2000-2011**

*(Tuition, fees, room, and board)*



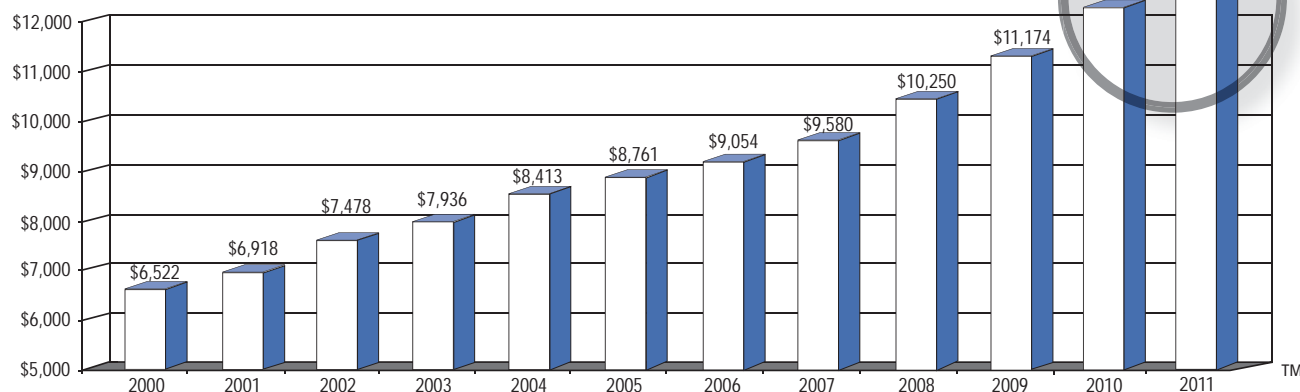
From 2000 to 2011, average gross revenue per first-year student increased 65.4 percent for institutions using Noel-Levitz support.

## Unfunded gift aid increased

For institutions in this study, unfunded gift aid for 2011 rose to \$12,664, an increase of 4.3 percent over 2010, as shown in Chart 4. This increase continued a steady upward trend since 2000.

**Chart 4: Average Unfunded Institutional Aid Per Freshman, 2000-2011**

*(Excludes gift aid from endowment or other restricted grants and awards)*



Over the past decade, average unfunded gift aid has steadily increased for institutions using Noel-Levitz services, reaching a new high of \$12,664 in 2011.

## Discounting was again highest at small colleges with higher tuition levels

A closer look at outcomes by institution type in Table 1 below shows discounting remained highest in 2011 among small colleges with tuition levels greater than or equal to \$25,000. In addition, these colleges experienced an average overall decrease in net revenue of 0.2 percent, while small colleges with lower tuition and large colleges and universities increased their net revenue. (See definitions of institution types below.)

"These outcomes suggest that the most expensive colleges are under the greatest pricing pressure," said Crockett. "Many of these small colleges with high tuition are also located in the Northeast United States which is in the midst of a relatively steep decline in the number of high school graduates."

Note that the average freshman discount rate in Table 1 below is shown in two ways, using Noel-Levitz's definition of an overall discount rate and the definition of NACUBO. Both rates were calculated by Noel-Levitz. For definitions of how each rate was calculated, see bottom of page 2.

**Table 1: 2011 Freshman Data by Institution Type**

Private institution Type	Average overall discount rate for freshmen	Average tuition discount rate for freshmen (NACUBO)	Average overall increase in net revenue from freshmen	Average unfunded institutional gift aid	Average percent of need met	Average tuition increase
Small College, Low Tuition (SCLT)	37.2%	49.7%	2.4%	\$10,337	74.6%	4.7%
Small College, High Tuition (SCHT)	40.3%	51.7%	-0.2%	\$14,962	74.6%	4.9%
Large College or University (LCU)	33.7%	43.1%	3.4%	\$13,786	69.7%	4.3%
<b>All institutions</b>	<b>38.1%</b>	<b>49.8%</b>	<b>1.4%*</b>	<b>\$12,664</b>	<b>74.0%</b>	<b>4.7%</b>

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Consistent with past discounting studies conducted by Noel-Levitz, small colleges with higher tuition levels had the highest average overall freshman discount rates in 2011.

### Definitions

**Small College, Low Tuition (SCLT):** Colleges with a tuition and mandatory fee rate of less than \$25,000 and enrollment of less than 850 full-time, first-year students.

**Small College, High Tuition (SCHT):** Colleges with a tuition and mandatory fee rate of more than or equal to \$25,000 and enrollment of less than 850 full-time, first-year students.

**Large College or University (LCU):** Colleges or universities that enroll more than 850 full-time, first-year students.

Note: Noel-Levitz continues to publish these breakdowns by college size for the benefit of institutions that are accustomed to benchmarking their discount rate using these categories.

\* This net revenue average increase for 2011 is based on a comparison of the average net revenue between 2010 and 2011 for the 139 institutions that are currently partnering with Noel-Levitz, listed on page 11. Careful readers may observe that this figure is higher than the 2011 net revenue average increase reported in Chart 1 on page 3. This is due to the fact that the Chart 1 data set compares the outcomes of the present study's institution sample with the outcomes of Noel-Levitz's previous study's sample of schools that was largely similar to, but also different from, the list of institutions shown on page 11.



## Student need levels continued to rise; more than three-quarters of merit aid met need

As shown on Table 2 below, student need levels continued to rise in 2011. The proportion of freshman who filed a Free Application for Federal Student Aid (FAFSA) rose 0.8 percent to a new record high of 88.4 percent. In addition, average need for these students rose 2.7 percent to a new record of \$26,212.

In response, the colleges in this sample were able to meet 74 percent of need and the average unmet need at these institutions dropped 6.0 percent, from \$8,996 in 2010 to \$8,475. Consistent with previous years, a large percentage (77.7 percent) of the merit aid these institutions awarded eventually went to meet demonstrated financial need.

"We were encouraged to see that more than three-quarters of the merit aid awarded by these institutions is used to meet need," said Crockett. "In today's environment, with the close scrutiny of merit versus need-based aid, it is important for institutions and agencies to monitor the overlap between merit aid and financial need as they develop their plans and shape their policies. One positive aspect of merit aid is that students are often notified of their eligibility early in the college selection process, which encourages them to seriously consider colleges and universities that they might have ruled out on the basis of sticker price alone."

**Table 2: Recent Trends in Financial Aid Applications, EFC, and Aspects of Need**

Academic year for which aid was requested	Percent of freshmen* who filed a FAFSA	Average parental income	Average EFC	Average need	Average percent of need met	Average percent of merit aid which met need	Average unmet need
2006-2007	83.2%	\$83,446	\$17,658	\$19,201	82.5%	72.0%	\$3,852
2007-2008	83.4%	\$87,311	\$17,573	\$20,551	84.8%	73.0%	\$3,779
2008-2009	84.1%	\$90,312	\$18,526	\$21,783	85.8%	76.0%	\$3,843
2009-2010	87.5%	\$93,029	\$15,200	\$23,559	76.6%	80.0%	\$7,838
2010-2011	87.6%	\$90,812	\$14,582	\$25,518	75.4%	76.9%	\$8,996
2011-2012	88.4%	\$91,276	\$14,794	\$26,212	74.0%	77.7%	\$8,475

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The proportion of FAFSA filers among enrolled freshmen increased slightly to 88.4 percent in 2011 while average unmet need dropped 6 percent, to \$8,475. In addition, the colleges in this sample used more than three-quarters of merit aid to meet need.

## A related point of interest: How prospective students are using net price calculators on college Web sites

Early data show that about half of the prospective students who have utilized Noel-Levitz's TrueCost Calculator™ obtained a scholarship estimate but did not supply the necessary information to receive an estimate of all available financial aid from the colleges they were considering.

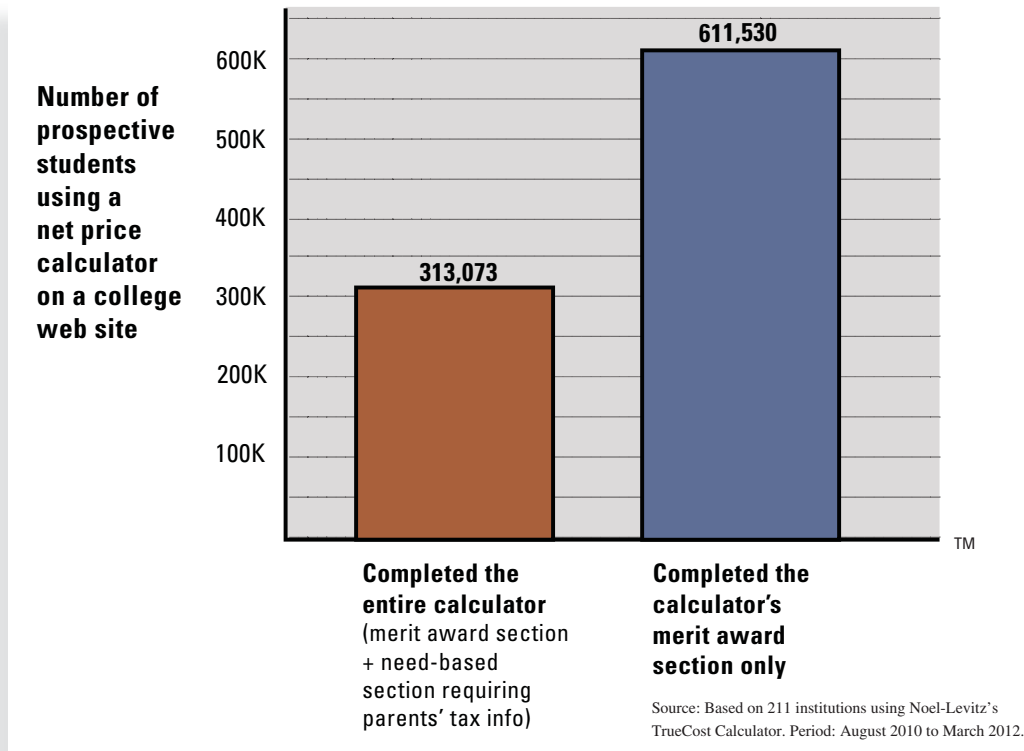
As mentioned on the preceding page, it is important for institutions and agencies to carefully monitor the overlap between merit aid and financial need. This year, in light of a new federal requirement for net price calculators, this overlap is arguably even more important. (Remember, 77.7 percent of merit aid went directly to meet need for the institutions in this study, as shown on page 7.)

For those who are unfamiliar, the federal government began requiring colleges and universities to post net price calculators on their Web sites on October 31, 2011. The intent of the calculators is to provide prospective students and families with a fair and accurate net cost for comparing their college choices.

However, early data from Noel-Levitz show that more students complete the merit scholarship portion of these calculators than complete the need-based portion of the tool, as illustrated in Chart 5 below. The data for these findings came from the institutions in this discounting study's sample that are using

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**Chart 5: Number of Prospective Students Completing a Net Price Calculator on a College Web Site Vs. Prospective Students Completing the Calculator's Merit Aid Award Section Only**



Above: Data from prospective students interested in the institutions in this study, along with data from other private institutions nationwide that Noel-Levitz is serving, show that only 51 percent of the students who complete the institutionally funded merit aid/scholarship award section of the net price calculators on these colleges' Web sites proceed to complete the subsequent section of the calculators that requires parental tax information.



the Noel-Levitz TrueCost Calculator on their Web sites, along with net price calculator usage data from additional public and private institutions that Noel-Levitz is serving nationwide.

The Noel-Levitz TrueCost Calculator is divided into two sections. The first section requires only the information necessary to calculate merit aid awards and scholarships. The second section requires students and families to provide parental tax information, including much of the information collected on the FAFSA.

As Chart 5 shows, more than half a million students (611,000) to date have completed the merit aid/scholarships award section of the calculator, while only 313,000—approximately half of the 611,000—have completed the entire calculator.

The implications are clear: In order to make a positive first impression with many prospective students, and to promote access and affordability, an institution's net price calculator should first present merit scholarship award eligibility on the front end, because many students do not have the necessary information on hand to complete the need-based portion of the calculator. In addition, colleges and universities may wish to re-assess the strategic proportion of institutional gift aid awarded as merit aid in this situation where many students are essentially first asking: "How much scholarship money am I eligible for?"

"These results are not surprising," said Crockett. "A lot of students are initially curious about their scholarship eligibility, but many lack knowledge of their parents' financial circumstances. Some colleges may want to reconsider their awarding strategies in light of this trend. If you know that certain segments of students are likely to receive substantial need-based awards after filing the FAFSA, it often makes sense to convert a portion of these dollars to merit aid to help overcome affordability concerns early in the college selection process."

### **A point to ponder**

First impressions are important. If a prospective student does not see a significant merit aid award after completing the initial portion of a college's net price calculator—the only section that many students complete—he or she may decide to look elsewhere.

## How the institutions in this study manage their aid awards and keep their discount rates in check

**All of the institutions in this study are following Noel-Levitz recommendations for awarding their financial aid. The institutions also receive information on the potential impact of tuition changes.**

Although few institutions will remain untouched by the current economic and demographic realities, well-managed private colleges that are able to wisely control costs, remain affordable, demonstrate their value, and leverage financial aid resources will be best positioned to weather the current economy.

All of the institutions in this study are currently following Noel-Levitz recommendations for awarding their financial aid. By creating statistical models based on past financial and enrollment data for each school, Noel-Levitz provides consultation and statistical resources that help these institutions calculate the aid packages needed to enroll specific populations of students.

This approach allows campuses to pinpoint precisely how much aid to award a particular student in order to influence that student to enroll. As a result, campuses are better able to:

- Meet the growing financial needs of today's student population;
- Calculate the aid packages needed to reach certain enrollment goals, such as improving the academic profile and diversity of the student body; and
- Maximize financial aid coverage in an era of shrinking resources. These schools are able to avoid over-awarding students and carefully identify student needs, allowing them to stretch their pool of available aid even further.

"Strategic financial aid management allows you to evaluate the effectiveness of your awards to enhance student recruitment and retention," says Crockett. "You can drill down to specific segments of your student population and make the appropriate merit and need-based awards. Ultimately, you can justify every aid dollar you spend toward achieving your enrollment goals."

## Institutions in this study

The data in this report was aggregated from the following institutions that were partnering with Noel-Levitz in 2011 to strategically manage their financial aid:

Alderson-Broaddus College (WV)	Keystone College (PA)	Tabor College (KS)
American International College (MA)	La Salle University (PA)	Tennessee Wesleyan College (TN)
Aquinas College (MI)	Lenoir-Rhyne University (NC)	Texas Wesleyan University (TX)
Art Center College of Design (CA)	LeTourneau University (TX)	The College of Idaho (ID)
Ashland University (OH)	Lewis University (IL)	The College of New Rochelle (NY)
Augustana College (IL)	Lincoln Memorial University (TN)	The College of St. Scholastica (MN)
Aurora University (IL)	Linfield College (OR)	The University of Findlay (OH)
Averett University (VA)	Lynchburg College (VA)	The University of Tampa (FL)
Azusa Pacific University (CA)	Marywood University (PA)	The University of the Arts (PA)
Bay Path College (MA)	McPherson College (KS)	Thomas College (ME)
Baylor University (TX)	Medaille College (NY)	Tiffin University (OH)
Benedictine College (KS)	Menlo College (CA)	Transylvania University (KY)
Biola University (CA)	Milwaukee Institute of Art & Design (WI)	University of St. Francis (IN)
Bluffton University (OH)	Milwaukee School of Engineering (WI)	University of Bridgeport (CT)
Brescia University (KY)	Mississippi College (MS)	University of Dallas (TX)
Cardinal Stritch University (WI)	Missouri Baptist University (MO)	University of Denver (CO)
Carroll College (MT)	Montreat College (NC)	University of Mary (ND)
Carroll University (WI)	Mount Mary College (WI)	University of Mount Union (OH)
Central College (IA)	Mount St. Mary's College (CA)	University of Saint Mary (KS)
Chapman University (CA)	Muskingum University (OH)	University of San Diego (CA)
Charleston Southern (SC)	New York Institute of Technology (NY)	University of St. Thomas (TX)
Chatham University (PA)	Niagara University (NY)	University of the Incarnate Word (TX)
Christian Brothers University (TN)	North Park University (IL)	Upper Iowa University (IA)
Coker College (SC)	Northwestern College (MN)	Virginia Wesleyan College (VA)
College for Creative Studies (MI)	Northwood University (FL)	Viterbo University (WI)
College of Mount Saint Vincent (NY)	Northwood University (MI)	Warner University (FL)
Colorado Christian University (CO)	Northwood University (TX)	Western New England College (MA)
Columbia College (SC)	Norwich University (VT)	Westminster College (PA)
Concordia University Chicago (IL)	Notre Dame de Namur University (CA)	Westminster College (UT)
Concordia University, St. Paul (MN)	Ohio Dominican University (OH)	Westmont College (CA)
Converse College (SC)	Oklahoma Baptist University (OK)	Wilkes University (PA)
Creighton University (NE)	Oral Roberts University (OK)	Wisconsin Lutheran College (WI)
Crown College (MN)	Paul Smith's College (NY)	Xavier University (OH)
Dillard University (LA)	Pratt Institute (NY)	Young Harris College (GA)
Dominican University of California (CA)	Queens University (NC)	
Drake University (IA)	Regis University (CO)	
East Texas Baptist University (TX)	Rider University (NJ)	
Eastern Mennonite University (VA)	Robert Morris University (PA)	
Eastern University (PA)	Rockhurst University (MO)	
Eckerd College (FL)	Rocky Mountain College (MT)	
Edgewood College (WI)	Saint Louis University (MO)	
Elmira College (NY)	Seattle University (WA)	
Elms College (MA)	Seton Hall University (NJ)	
Fisher College (MA)	Shenandoah University (VA)	
Franciscan University of Steubenville (OH)	Southwest Baptist University (MO)	
Fresno Pacific University (CA)	Spring Arbor University (MI)	
Gordon College (MA)	St. Ambrose University (IA)	
Graceland University (IA)	St. Edward's University (TX)	
Holy Family University (PA)	St. John Fisher College (NY)	
Hood College (MD)	St. John's University (NY)	
Indiana Institute of Technology (IN)	St. Joseph College (CT)	
	St. Joseph's College (IN)	
	St. Mary's University (TX)	
	St. Norbert College (WI)	

## Questions about this report?

If you have questions about this report, please call Noel-Levitz at 1-800-876-1117 or e-mail [ContactUs@noellevitz.com](mailto:ContactUs@noellevitz.com).

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Noel-Levitz is a nationally recognized higher education consulting firm that focuses on strategic planning for enrollment and student success. Each year, campus executives from throughout the U.S. meet regularly with Noel-Levitz to accomplish their goals for student recruitment, marketing, student retention, financial aid, and strategic enrollment management.

Since 1973, Noel-Levitz has partnered with more than 2,700 colleges and universities throughout North America. The firm offers executive consulting, custom research and benchmark data, innovative tools and technologies, side-by-side plan development and execution, and resources for professional development.

For more information, visit [www.noellevitz.com](http://www.noellevitz.com).

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